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MEMORANDUM FOR:

Attached is the memorandum on Concorde landing rights in New York that you requested for passage to Mr. Frank A. Weil Assistant Secretary Designate for Domestic and International Business Affairs, US Department of Commerce.

Center for Policy Support

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Date

15 March 77

FORM 5-75 101 USE PREVIOUS EDITIONS

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Concorde Landing Rights: French Adamancy and Possible Reactions

The French emotional committment to Concorde cuts across the political, economic, and social boundaries that usually divide the country. We believe it virtually certain that a refusal of New York landing rights to Concorde will result in retaliation, probably initially in the civil aviation sphere. The French unions will refuse to service US airliners and the French government may also take some action against US civil aviation interests after pursuing the landing rights issue in the US courts.

Reasons for French Adamancy

The product of the 15-year, \$3 billion Anglo-French Concorde program is an unquestioned technological success and an equally unquestioned financial failure. As the French people see it, the US pulled out of the three-way competition to produce a supersonic transport. The Soviet Union built an inferior aircraft which crashed at the Paris airshow and is still deemed unsafe, even by Russian standards, for passenger service. In contrast France and the UK persevered and finally completed an aircraft which meets the requirements that were specified for it in 1965. The Concorde cuts transatlantic flight time by half and is claimed to be as quiet as many of the aircraft currently in use. Moreover international travelers seem anxious to use it despite the cost--a fact attested to by the high load factors being achieved on the current transatlantic routes.*

* Scheduled transatlantic flight times for the Concorde are 4 hours, and 5 minutes, Paris to Washington, 3 hours and 50 minutes, London to Washington, and 7 hours, Paris to Rio. 25X1
Comparable times for subsonic aircraft are 8 hours and 55 minutes, 8 hours and 20 minutes, and 11 hours and 10 minutes, respectively.

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The proud hopes that hundreds of Concorde would be flying in the 1980's are now forgotten. Probably the best that can be expected is to find buyers and steady utilization for the sixteen aircraft currently completed and under construction. This would also help to keep alive whatever hopes remain for a new production run or a follow-on aircraft.

Given the curious mixture of fact and fantasy that comprise the French conventional wisdom on the Concorde issue, a denial of landing rights in New York is seen as an American sourgrapes attempt to deny even the limited recognition and reward still possible for the Gallic equivalent of the Apollo space program. Living in a country where authority is highly centralized, the French have difficulty comprehending the power that state and local governments exercise in the US. They would attribute a refusal to intensive lobbying by US airlines and aircraft manufacturers who don't want to face competition from Concorde. Noise and other environmental arguments are seen as little more than a smokescreen.

The French Government's Position

Officials of the Giscard government have a much less naive view of affairs on this side of the Atlantic. However, even they probably are convinced that a US-built SST would not have encountered the obstacles that Concorde faces.

In any event, staking out and maintaining a strong position on landing rights is a political imperative for the current French leadership. Successive governments under de Gaulle, Pompidou, and Giscard have reaffirmed their faith in the project and Giscard is already under fire from both Gaullists and the left for his willingness to cooperate with the US.

Giscard is vulnerable to such pressures. His governing coalition is suffering major losses to the left in the municipal elections on March 13 and 20. The Socialist-Communist alliance's strength is growing and opinion polls show it is likely to win control of the National Assembly in 1978. Giscard's own center-right coalition is weakened by the ambition of Gaullist chief Jacques Chirac, who is challenging the President's leadership, and by Giscard's failure to exert consistent strong leadership.

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Retaliation

An adverse decision on Concorde landing rights would elicit immediate non-official retaliation. The unions have already announced plans to refuse service to US airliners in France. They also would take the lead in organizing demonstrations against the US decision and probably would attempt to organize a boycott against US-made products. Aside from the possible disruption of US air carrier service the actual economic effects would probably not be great.

On the official side the immediate reaction would be limited to strong condemnations. Paris believes that it has a strong legal case on Concorde and thus can still win the landing rights battle in court. The French will base their case partially on their contention that the shorter New York-Paris run allows for reduced take-off weight. They will maintain that lower weight and adjusted takeoff procedures will result in a noise reduction sufficient to meet the New York requirements. The French government is unlikely to escalate the controversy with retaliatory measures until and unless the legal battle is also lost.

If Concorde loses the final court battle as well, Paris will act and probably in several different areas. Some direct retaliation in the civil aviation sphere seems likely. The French may, for example, pull back from the closer ties between their aircraft industry and US manufacturers that have been developing lately. McDonnell Douglas recently reached a tentative agreement with Aerospatiale and Dessault to develop an advanced short-to-medium range aircraft, the Mercure 200. Beyond some action in the aerospace area the French government will likely to be a good deal less cooperative in relations generally. This could show up in the form of French stonewalling in the Multilateral Trade Negotiations, in tightened French controls on American business and in other areas of mutual interest.

Future of Concorde

No matter what the decision on the Concorde's landing at New York, we believe that Air France and British Airways will continue all existing Concorde services and add selectively to their supersonic route network. The vast sums needed to develop the aircraft

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have already been expended and it will require relatively small subsidies to keep them flying. Although service to New York as North America's gateway city is an important goal--for both prestige and passenger traffic--both France and the United Kingdom will seek other routes.

Refusal of landing rights in New York will make it more difficult to sell the remaining seven Concorde. Of the 16 Concorde completed and under construction, nine have been sold to the captive markets of Air France and British Airways. Both the French and British want very much to sell the remaining aircraft to other airlines. Currently, Iran Air holds purchase options for two Concorde and the Peoples Republic of China, an option for up to three aircraft. Iran has wavered in recent months but may yet go ahead for prestige reasons. We do not know the current status of the PRC's options for the aircraft. No other airline has indicated any desire to purchase the SST in the near future, but at least four--Braniff, Middle East Airlines, Singapore Airways, and Qantas--have shown some interest in a possible leasing arrangement.

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TRANSMITTAL SLIP		DATE
		16 Mar 77
TO: AD/OPS		
ROOM NO.	BUILDING	
REMARKS:		
<p>I gave the attached Concede memo to <div data-bbox="493 1110 844 1218" style="border: 1px solid black; width: 216px; height: 51px; display: inline-block;"></div> on the afternoon of 16 Mar.</p>		
FROM:		
ROOM NO.		
<div data-bbox="607 1404 1172 1598" style="border: 1px solid black; width: 348px; height: 92px; display: inline-block;"></div>		
FORM NO. 241 1 FEB 55		REPLACES FORM 36-8 WHICH MAY BE USED. (47)

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